

Message Text

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PAGE 01 RIYADH 00336 061406Z
ACTION NEA-11

INFO OCT-01 EUR-12 ISO-00 EB-08 OES-07 CEQ-01 EPA-04
/044 W

-----035868 061617Z /42

P R 061246Z MAY 78
FM USLO RIYADH
TO US TREASURY WASHDC PRIORITY 40
US DEPT OF TRANSPORTATION WASHDC PRIORITY UNN
USDOC WASHDC PRIORITY
INFO SECSTATE WASHDC 463
AMEMBASSY JIDDA
AMEMBASSY ATHENS

UNCLAS RIYADH 336

TREASURY FOR ASST. SEC. BERGSTEN AND BOWDEN, TRANSPORTATION
FOR ASST. SEC. DAVENPORT, USDOC FOR CAGNE

ATHENS FOR RTDO

E.O. 11652: N/A
TAGS: BTIO, BEXP, EAID, ELTN, SA

REF A. 1SW 630, 5/2/78
B. USREP 609, 4/19/78
C. USREP 690, 5/6/78
D. JIDDA 3093
E. JIDDA 3216

1. AT MEETING WITH DEPUTY MINISTER KAYYALY MAY 3, USREP
OBTAINED MORE DETAILS OF ASSISTANCE DESIRED BY MINISTRY OF
COMMUNICATIONS AND CLARIFIED ROLE OF SHEIKH SALEH KHAMEL, OWNER OF
DALLAH, WHO IS ONE OF PRIVATE SAUDI FOUNDERS (INITIAL PRIVATE
SUBSCRIBERS OF CAPITAL AS A PRIVATE INDIVIDUAL) OF BUS TRANSPORTATION
COMPANY. ASSISTANCE REQUESTED LIES IN FOLLOWING AREAS AND IS
SUMMARIZED BELOW:

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A. ASSISTANCE IN DETERMINING LIST OF POTENTIAL AMERICAN JOINT
VENTURE PARTNERS TO RUN THE SEMI-PUBLIC BUS TRANSPORTATION COMPANY.

B. ASSISTANCE IN DETERMINING LIST OF POTENTIAL AMERICAN COMPANIES
FOR SUPERVISORY SERVICE CONTRACT WITH MINISTRY.

C. ASSISTANCE OF SHORT TERM EXPERTS AND LONGER TERM ASSISTANCE THROUGH USREP, JECOR.

2. LIST OF U.S. COMPANIES FOR PARTICIPATION IN BUS COMPANY.

A. DR. KAYYAL SAID THE MINISTRY WILL DICTATE THE FOREIGN FIRM BEST QUALIFIED TO PARTICIPATE IN THE BUS COMPANY WITH 10 PERCENT SHARE-HOLDING AND WITH THE MANAGEMENT, OPERATION AND MAINTENANCE CONTRACT. HE WISHES DOT TO PROVIDE LIST OF NAMES DIRECTLY TO HIM THROUGH JOINT COMMISSION AS SOON AS POSSIBLE. HE WAS AWARE OF SHEIKH SALEH PLANS TO CONTACT U.S. FIRMS AND SAID THAT SHEIKH SALEH COULD BRING NAMES TO THE ATTENTION OF THE MINISTRY. HOWEVER, SHEIKH SALEH IS ACTING AS A PRIVATE BUSINESSMAN AND IS NOT REPEAT NOT REPRESENTING SAG. AT THIS TIME, IN ORDER TO MAINTAIN INDEPENDENCE OF MANAGEMENT OPERATION, DR. KAYYAL PREFERS U.S. FIRM NOT TO BE IN JOINT VENTURE WITH SHEIKH SALEH OR ANY OTHER INITIAL PRIVATE SUBSCRIBER. US FIRM NEED ONLY HAVE SAUDI REPRESENTATIVE (EMBASSY/USLO COMMENT: BELIEVE USDOC AND USDOT SHOULD CONTINUE TO SUPPORT AND PROVIDE ASSISTANCE TO SHEIKH SALEH'S TRIP TO US PER REFTELS D AND E).

B. DR. KAYYAL STRESSED AGAIN THAT UNDER ROYAL DECREE, U.S. COMPANIES MUST BE WILLING TO INVEST CAPITAL AS PARTICIPANTS IN BUS COMPANY AS WELL AS TO UNDERTAKE MANAGEMENT, OPERATION AND MAINTENANCE CONTRACT. HE RECOGNIZED THAT TO MEET THIS REQUIREMENT, SEVERAL U.S. COMPANIES MIGHT FORM A CONSORTIUM IN ORDER TO MOBILIZE SUFFICIENT

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FINANCIAL AND OTHER RESOURCES.

C. HE SAID HE HAD RECEIVED AN INQUIRY BY TELEGRAM FROM TWO U.S. COMPANIES WHICH HE WOULD LIKE USG TO CHECK TO SEE IF THEY ARE QUALIFIED AND COULD BE RECOMMENDED:

(1) NATIONAL CITY LINES

(2) AMERICAN TRANSIT CORPORATION

ACCORDING TO THE TELEGRAM, BOTH COMPANIES ARE LISTED ON NY STOCK EXCHANGE. OFFICIALS OF LATTER CORPORATION, MR. HENRY DETOURNAY, SENIOR VICE PRESIDENT AND MR. HUGH ASHBY, VICE PRESIDENT, SAID THEY WISHED TO VISIT SAUDI ARABIA TO DISCUSS THE PROJECT. WE WOULD APPRECIATE ANY INFORMATION ON THESE FIRMS THAT COULD BE CONVEYED TO DR. KAYYAL, PARTICULARLY WHETHER THEY ARE IN A POSITION TO MAKE CAPITAL INVESTMENT REQUIRED BY ROYAL DECREE.

3. LIST OF U.S. COMPANIES FOR SUPERVISORY SERVICE CONTRACT WITH MINISTRY.

A. DR. KAYYAL WISHES ALSO AS EARLY AS POSSIBLE A SEPARATE LIST OF U.S. FIRMS WHICH COULD SUPERVISE THE OPERATIONS OF THE BUS COMPANY UNDER A SERVICE CONTRACT WITH THE MINISTRY. THIS, IN ESSENCE, WOULD BE AN EXTENSION OF STAFF OF THE MINISTRY. SCOPE OF CONTRACT DESCRIBED

IN PARA 5 OF REF B. USREP DIRECTOR EXPLAINED SUPERVISORY AND OTHER CONTRACTS IN OTHER JOINT COMMISSION PROJECTS AND NOTED THAT USG ACTION AGENCY (IN THIS CASE DOT) MIGHT ASSIST IN SELECTION PROCESS. FURTHERMORE, IF A PROJECT AGREEMENT IS CONCLUDED, DOT PERSONNEL MIGHT ASSIST MINISTRY IN MONITORING PERFORMANCE OF SERVICE CONTRACTOR. RESPONDING TO DR. KAYYAL'S QUERY ABOUT ONE AMERICAN FIRM SUPERVISING ANOTHER, USREP DIRECTOR SAID THIS IS NOT ONLY FEASIBLE BUT ADVANTAGEOUS SINCE SIMILARITY OF BASIC APPROACH TO THE TASK WOULD FACILITATE SUPERVISION.

4. SHORT TERM EXPERTS AND LONGER TERM ASSISTANCE: DR. KAYYAL EMPHASIZED HIS NEED FOR SERVICES OF SHORT TERM EXPERTS (UP TO THREE MONTHS) AND LONGER TERM ASSISTANCE IN FIELDS DESCRIBED IN SEPARATE JECOR TELEX (USREP 690, 5/6/78).
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5. COMMENT: USREP DIRECTOR HUMMON EXPECTS TO BE IN WASHINGTON BY MAY 10 AND AS DISCUSSED IN TELCON WITH ASSISTANT SECRETARY DAVENPORT PREPARED TO GO OVER DETAILS OF ABOVE. THIS MESSAGE HAS BEEN DISCUSSED WITH SAUDI COORDINATOR WHO SAYS ASSISTANCE OUTLINED ABOVE COULD BE OF MAJOR IMPORTANCE TO THE KINGDOM.

6. THIS TELEGRAM HAS BEEN COORDINATED WITH AND CLEARED BY EMBASSY JIDDA AND USREP JECOR.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PROCUREMENT, FOREIGN INVESTMENTS, JOINT VENTURES, BUSINESS FIRMS, BRIEFING MATERIALS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978RIYADH00336
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Expiration:
Film Number: D780193-1092
Format: TEL
From: RIYADH
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780586/aaaacvkk.tel
Line Count: 146
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8e5d3aa3-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 21 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2770991
Secure: OPEN
Status: <DBA CHANGED> VJT 20040928
Subject: TREASURY FOR ASST. SEC. BERGSTEN AND BOWDEN, TRANSPORTATION FOR ASST. SEC. DAVENPORT, USDOC FOR CAGNE
TAGS: BTIO, BEXP, EAID, ELTN, SA, US, (KHAMEL, SALEH)
To: TRSY DOT
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/8e5d3aa3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014